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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

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In the Matter of)
)
Federal-State Joint Board on)
Universal Service)
)

CC Docket No. 96-45
[DA 98-2]

(Report to Congress)

COMMENTS OF THE
COLORADO PUBLIC UTILITIES COMMISSION
FOR THE REPORT TO CONGRESS ON UNIVERSAL SERVICE

The Colorado Public Utilities Commission ("Colorado Commission") hereby submits these comments addressing the Federal Communications Commission ("FCC" or "Commission") Common Carrier Bureau's January 5, 1998 Public Notice¹ (DA 98-2) requesting comment in connection with the Report to Congress on Universal Service. Our comments generally highlight our previous positions expressed in this universal service proceeding. The Colorado Commission considers it important for the Commission to remain cognizant of the concerns of state regulators in the implementation of the 1996 Act.

The Colorado Commission remains committed to a cooperative process among state and federal regulators in the implementation of the Federal Telecommunications Act of 1996 ("1996 Act"), and recognizes the importance of the universal service proceeding in resolving the challenges that confront us. We provide the following responses to two of the issues presented in the Public Notice.

CCB Issue 3: Who is required to contribute to universal service under section 254(d) of the Act and related existing Federal universal service support mechanisms, and of any exemption of providers or exclusion of any service that includes telecommunications from such requirement or support mechanisms.

¹ Public Notice; Common Carrier Bureau Seeks Comment for Report to Congress on Universal Service under the Telecommunications Act of 1996, CC Docket No. 96-45 (Report to Congress)(DA 98-2), January 5, 1998.

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The Colorado Commission supports the Commission's interpretations to date regarding the parties required to contribute to universal service under section 254(d). Those interpretations are also consistent with the Colorado statute, which requires that universal support mechanisms be "funded equitably and on a nondiscriminatory, competitively neutral basis through assessments on all telecommunications service providers in Colorado . . . "2

CCB Issue 5: The Commission's decisions regarding the percentage of universal service support provided by federal mechanisms and the revenue base from which such support is derived.

In its *Comments in Support of Petitions for Reconsideration* ("Comments") filed on August 15, 1997, the Colorado Commission expressed its belief that the Commission's decision regarding the percentage of support to be provided by the federal fund to high cost service areas did not follow section 254(b)(5) of the 1996 Act. The Colorado Commission considers the 25% level of federal support to be insufficient.

While we disagree with the FCC's current plan for supporting high cost areas, we are keenly interested in participating in further discussions with the Commission and other state regulators in an attempt to resolve the challenges that exist in addressing the need for universal service support in high cost areas. Since there are a large number of customers located in rural areas of Colorado, we remain vitally interested in maintaining the affordability of telecommunications services.

On December 16, 1997 the Common Carrier Bureau released a Public Notice (DA 97-2623) revising and approving universal service contribution factors for the first quarter of 1998. The Bureau estimated the first quarter demand and administrative expenses for the High Cost

² § 40-15-502(5)(a) Colo. Rev. Stat.

Program as \$434.0 million. Based upon information contained in that Notice the contribution factor for just the high cost support mechanism is 0.0248. The Colorado Commission has been conducting a proceeding to adopt a Colorado Proxy Model for determining high cost areas (Docket No. 97M-063T). All Parties in that Docket recently submitted a stipulation to the Colorado Commission's for approval. Based upon that document which is now under consideration by the Colorado Commission, it is estimated that the Colorado High Cost Fund ("CHCF") surcharge would range between 0.1386 and 0.1900. These surcharges would be 5.6 to 7.66 times the federal factor. Applied to a typical intrastate monthly residential bill of \$30, the CHCF surcharge would range between \$4.16 and \$5.70. Such increases in monthly bills will have a serious impact on the affordability of basic service in Colorado. It is clear that a state like Colorado with its many rural customers will suffer greatly if the Commission's decision to support only 25% remains unchanged.

The simplest solution is to fund 100% of the universal service need. Other options may be viable to equitably address the varying circumstances and needs among the states. For example explicit exceptions to the 25% support level can be built into the rule based upon the cost data already available.

It is now appropriate for the Commission to revisit the issue concerning the amount of federal support for universal service. If the Commission will not adopt the proposal to fully fund universal service, the Commission should consider raising the support level to be funded by a nationwide uniform contribution factor to a level based upon combined intrastate and interstate revenues. As the Colorado Commission has previously stated in its Comments, if the Commission bases contributions on combined revenues, then the Commission should make it explicit that States, to the extent necessary, may also used the combined revenue base for funding intrastate support mechanisms.

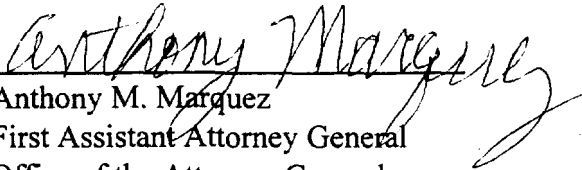
Finally, the Colorado Commission would find acceptable the setting of the universal service support levels at 75% interstate and 25% intrastate.

Conclusion

We remain committed to moving forward in the implementation of the 1996 Act, preserving the concept of universal service and bringing the benefits of competition in telecommunications to customers in every area of our state and the nation. The Commission's universal service proceeding has been described as one of the three major policy proceedings required for the implementation of the 1996 Act. The issues contained within this portion of the universal service rulemaking have proven to be the most contentious and emotional, however, as they involve a balancing of interests between the federal and state jurisdictions and the interests of the individual states, with affordable service to rural customers at stake. We pledge to continue to assist in the search for that appropriate balance needed to transform section 254 of the 1996 Act into working programs for telecommunications customers.

Respectfully submitted,

COLORADO PUBLIC UTILITIES COMMISSION


Anthony M. Marquez
First Assistant Attorney General
Office of the Attorney General
1525 Sherman St. - 6th Floor
Denver, Colorado 80203
(303) 866-5135

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